

**LIVINGSTON COUNTY SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION,  
AND INDEPENDENT AUDITOR'S REPORTS**

Year ended June 30, 2009

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
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**YEAR ENDED JUNE 30, 2009**

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## INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits  
and Members of the Board of Education  
Livingston County School District  
Smithland, Kentucky

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Livingston County School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Livingston County School District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirements*, *Appendix II of the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract – Electronic Submission*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Livingston County School District as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated November 10, 2009, on my consideration of the Livingston County School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 34 through 35, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Livingston County School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Livingston County School District. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Benton, Kentucky  
November 10, 2009

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2009**

As management of the Livingston County School District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The beginning fund balance for the general fund in the District was \$2,433,642.
- A concerted effort was focused on grant writing and obtaining special revenue funding. The district is involved in applying for competitive federal grants, not just entitlement grants.
- The district remains committed to increasing administration, teacher, and support staff salaries to that comparable of surrounding districts. A 1% raise was given across the board to everyone this year.
- The General Fund had \$9,620,593 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding interfund transfers, there was \$10,132,009 in General Fund expenditures.
- A new long-range committee has been organized. It is composed of school personnel and community volunteers with the goal of establishing a new long range plan for the district.
- The Smithland Elementary School Gym was torn down due to hazardous conditions, and we will soon start to remodel the building to relocate the central office in the building.
- The district has also organized a new Missions and Visions Committee to revise these individual statements for the district.
- The financial statement shows an ending general fund balance in the amount of \$1,896,896.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2009**

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

The government-wide financial statements can be found on pages 8 and 9 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is our food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10 through 18 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 33 of this report.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$7,259,418 as of June 30, 2009.

The largest portion of the District’s net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2009**

	<b>Net Assets for the period ending</b>	
	<b>June 30, 2009</b>	<b>June 30, 2008</b>
Current Assets	\$ 2,870,407	\$ 3,243,832
Noncurrent Assets	<u>14,898,643</u>	<u>15,221,145</u>
<b>Total Assets</b>	<b><u>\$17,769,050</u></b>	<b><u>\$18,464,977</u></b>
Current Liabilities	\$ 951,204	\$ 761,686
Noncurrent Liabilities	<u>9,558,428</u>	<u>10,134,035</u>
<b>Total Liabilities</b>	<b><u>\$10,509,632</u></b>	<b><u>\$10,895,721</u></b>
<b>Net Assets</b>		
Investment in capital assets (net of debt)	\$ 4,881,001	\$ 4,676,128
Restricted	475,493	416,166
Unreserved Fund Balance	<u>1,902,924</u>	<u>2,476,962</u>
<b>Total Net Assets</b>	<b><u>\$ 7,259,418</u></b>	<b><u>\$ 7,569,256</u></b>

**Comments on Budget Comparisons**

- The District’s total general fund revenues for the fiscal year ended June 30, 2008, net of interfund transfers, were \$9,620,593.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$1,901,133 more than budget.
- The total cost of all general fund programs and services was \$10,132,009 net of debt service and construction costs.
- The Kentucky Department of Education makes certain payments on behalf of the District, including certain pension plan payments, health and life insurance premium payments, and administrative fees. These payments have been recorded on the Statement of Activities by functional expense and as operating grants from the State and totaled \$1,901,109. The revenue and related expense for these on behalf payments are not required to be budgeted.

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2009, compared to the fiscal year ended June 30, 2008.



**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2009**

	June 30, 2009	June 30, 2008
<b>Program Revenues:</b>		
Charges for Services – Food Service	\$ 216,196	\$ 186,961
Charges for Services – Governmental	2,309	0
Operating grants – Governmental	4,026,977	4,532,551
Operating grants – Food Service	392,230	420,398
Capital grants	<u>561,044</u>	<u>216,589</u>
<b>Total program revenues</b>	<b><u>5,198,756</u></b>	<b><u>5,356,499</u></b>
<b>General Revenues:</b>		
Taxes	3,611,641	3,645,045
Earnings on investments	12,776	111,390
State and formula grants	4,438,563	4,587,036
Miscellaneous	<u>10,009</u>	<u>1,194</u>
<b>Total general revenues</b>	<b><u>8,072,989</u></b>	<b><u>8,344,665</u></b>
<b>Expenses:</b>		
Instruction	8,035,581	8,036,958
Student support services	308,481	286,255
Instructional support	425,899	393,688
District administration	459,551	603,092
School administration	642,609	622,563
Business support	200,096	220,184
Plant operations	1,348,660	1,427,096
Student transportation	876,027	982,376
Community services	98,567	99,005
Food service operation	676,183	665,506
Loss on disposal of fixed assets	923	339,748
Debt service	<u>509,006</u>	<u>496,822</u>
<b>Total expenses</b>	<b><u>\$13,581,583</u></b>	<b><u>\$14,173,293</u></b>
<b>Change in net assets</b>	<b><u>\$ (309,838)</u></b>	<b><u>\$ (472,129)</u></b>

**General Fund Revenue**

The majority of revenue was derived from state funding making up 66% and with local taxes making up 34% of total revenue.

**General Fund Expenditures**

Regular instruction accounts for 62% of the expenditures in the general fund, followed by plant operations and maintenance for 9% and student transportation for 7%.

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2009**

**BUDGETARY IMPLICATIONS**

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law, the budget must have a minimum 2% contingency. The district adopted a total budget of \$9,563,375, and a contingency of \$539,080 which is 5.6%. The beginning fund balance for the fiscal year was \$2,433,642. Significant Board action that impacts the finances includes a 1% pay raise for all employees.

Livingston County Public Schools received federal grants in the amount of \$1,143,368 and state grants in the amount of \$748,317.

Questions regarding this report should be directed to the Superintendent Kenneth Bargo, PO Box 219, 127 East Adair Street, Smithland, KY 42081.

LIVINGSTON COUNTY SCHOOL DISTRICT

**STATEMENT OF NET ASSETS**

June 30, 2009

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 1,937,012	\$ 81,990	\$ 2,019,002
Inventory	0	13,417	13,417
Accounts receivable:			
Taxes - current	115,843	0	115,843
Taxes - delinquent	6,981	0	6,981
Accounts receivable	142,272	0	142,272
Intergovernmental - state	90,882	0	90,882
Intergovernmental - indirect federal	377,942	41,150	419,092
Unamortized bond issue costs	62,918	0	62,918
<b>Total current assets</b>	<u>2,733,850</u>	<u>136,557</u>	<u>2,870,407</u>
<b>Noncurrent Assets:</b>			
Capital assets	22,638,412	467,109	23,105,521
Less: Accumulated depreciation	(7,878,333)	(328,545)	(8,206,878)
<b>Total noncurrent assets</b>	<u>14,760,079</u>	<u>138,564</u>	<u>14,898,643</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 17,493,929</u></u>	<u><u>\$ 275,121</u></u>	<u><u>\$ 17,769,050</u></u>
<b>LIABILITIES :</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 102,625	\$ 3,024	\$ 105,649
Payroll liabilities payable	3,670	0	3,670
Due to school activity funds	45	0	45
Deferred revenue	120,320	0	120,320
Current portion of bond obligations	615,000	0	615,000
Current portion of accrued sick leave	71,883	0	71,883
Interest payable	34,637	0	34,637
<b>Total current liabilities</b>	<u>948,180</u>	<u>3,024</u>	<u>951,204</u>
<b>Noncurrent Liabilities:</b>			
Noncurrent portion of bond obligations	9,585,000	0	9,585,000
Less: Unamortized bond discount	(154,077)	0	(154,077)
Noncurrent portion of accrued sick leave	127,505	0	127,505
<b>Total noncurrent liabilities</b>	<u>9,558,428</u>	<u>0</u>	<u>9,558,428</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 10,506,608</u></u>	<u><u>3,024</u></u>	<u><u>\$ 10,509,632</u></u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	\$ 4,742,437	\$ 138,564	\$ 4,881,001
Restricted for:			
SFCC Escrow	138,627	0	138,627
Capital Projects	336,403	0	336,403
Debt service	463	0	463
Unrestricted	1,769,391	133,533	1,902,924
<b>TOTAL NET ASSETS</b>	<u><u>\$ 6,987,321</u></u>	<u><u>\$ 272,097</u></u>	<u><u>\$ 7,259,418</u></u>

See independent auditor's report and accompanying notes to financial statements

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
<b>FUNCTIONS/PROGRAMS</b>							
<b>Governmental Activities:</b>							
Instruction	\$ 8,035,581	\$ 2,309	\$ 3,424,980	\$ 561,044	\$ (4,047,248)	\$ 0	\$ (4,047,248)
Support Services:							
Student	308,481	0	40,948	0	(267,533)	0	(267,533)
Instructional Staff	425,899	0	61,184	0	(364,715)	0	(364,715)
District Administration	459,551	0	18,850	0	(440,701)	0	(440,701)
School Administration	642,609	0	94,039	0	(548,570)	0	(548,570)
Business	200,096	0	21,928	0	(178,168)	0	(178,168)
Plant operations and maintenance	1,348,660	0	55,545	0	(1,293,115)	0	(1,293,115)
Student transportation	876,027	0	65,667	0	(810,360)	0	(810,360)
Community service activities	98,567	0	0	0	(98,567)	0	(98,567)
Loss on disposal of fixed assets	923	0	0	0	(923)	0	(923)
Interest on long-term debt	484,145	0	243,836	0	(240,309)	0	(240,309)
Other debt service	24,861	0	0	0	(24,861)	0	(24,861)
<b>Total governmental activities</b>	<b>12,905,400</b>	<b>2,309</b>	<b>4,026,977</b>	<b>561,044</b>	<b>(8,315,070)</b>	<b>0</b>	<b>(8,315,070)</b>
<b>Business-Type Activities:</b>							
Food service	721,882	216,196	437,929	0	0	(67,757)	(67,757)
<b>Total business-type activities</b>	<b>721,882</b>	<b>216,196</b>	<b>437,929</b>	<b>0</b>	<b>0</b>	<b>(67,757)</b>	<b>(67,757)</b>
<b>Total primary government</b>	<b>\$ 13,627,282</b>	<b>\$ 218,505</b>	<b>\$ 4,464,906</b>	<b>\$ 561,044</b>	<b>(8,315,070)</b>	<b>(67,757)</b>	<b>(8,382,827)</b>
<b>General Revenues:</b>							
Taxes:							
Property					1,843,194	0	1,843,194
Motor Vehicle					314,120	0	314,120
Utilities					501,187	0	501,187
In Lieu of					953,140	0	953,140
Earnings on Investments					12,160	616	12,776
State and formula grants					4,438,563	0	4,438,563
Miscellaneous					10,009	0	10,009
<b>Change in net assets</b>					<b>(242,697)</b>	<b>(67,141)</b>	<b>(309,838)</b>
Net assets at July 1, 2008					7,230,018	339,238	7,569,256
Net assets at June 30, 2009					<b>\$ 6,987,321</b>	<b>\$ 272,097</b>	<b>\$ 7,259,418</b>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2009

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS AND RESOURCES:</b>					
Cash and cash equivalents	\$ 1,790,585	\$ (329,066)	\$ 336,403	\$ 139,090	\$ 1,937,012
Accounts receivable:					
Taxes - current	115,843	0	0	0	115,843
Taxes - delinquent	6,981	0	0	0	6,981
Accounts receivable	142,272	0	0	0	142,272
Intergovernmental - state	0	90,882	0	0	90,882
Intergovernmental - indirect federal	0	377,942	0	0	377,942
<b>TOTAL ASSETS AND RESOURCES</b>	<u>\$ 2,055,681</u>	<u>\$ 139,758</u>	<u>\$ 336,403</u>	<u>\$ 139,090</u>	<u>\$ 2,670,932</u>
<b>LIABILITIES AND FUND BALANCE:</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 83,187	\$ 19,438	\$ 0	\$ 0	\$ 102,625
Payroll liabilities payable	3,670	0	0	0	3,670
Due to school activity funds	45	0	0	0	45
Deferred revenue	0	120,320	0	0	120,320
Current portion of accrued sick leave	71,883	0	0	0	71,883
<b>TOTAL LIABILITIES</b>	<u>158,785</u>	<u>139,758</u>	<u>0</u>	<u>0</u>	<u>298,543</u>
<b>FUND BALANCES:</b>					
Reserved for:					
SFCC escrow	0	0	0	138,627	138,627
Construction projects	0	0	336,403	0	336,403
Debt service	0	0	0	463	463
Unreserved:					
Undesignated, reported in:					
General fund	1,896,896	0	0	0	1,896,896
<b>TOTAL FUND BALANCES</b>	<u>1,896,896</u>	<u>0</u>	<u>336,403</u>	<u>139,090</u>	<u>2,372,389</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,055,681</u>	<u>\$ 139,758</u>	<u>\$ 336,403</u>	<u>\$ 139,090</u>	<u>\$ 2,670,932</u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET ASSETS**

June 30, 2009

Total fund balance per fund financial statements	\$ 2,372,389
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Amounts reported for governmental activities in the statement of net  
assets are different because:

Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets	14,760,079
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Certain assets (such as unamortized bond issue costs) are not reported in this fund financial statement because they are not available to pay current-period expenditures, but they are reported in the statement of net assets	62,918
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Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets	<u>(10,208,065)</u>
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Net assets for governmental activities	<u><u>\$ 6,987,321</u></u>
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See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2009

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
From Local Sources:					
Taxes:					
Property	\$ 1,534,564	\$ 0	\$ 0	\$ 308,630	\$ 1,843,194
Motor Vehicle	314,120	0	0	0	314,120
Utilities	501,187	0	0	0	501,187
In Lieu of	935,160	0	0	0	935,160
Tuition	2,309	0	0	0	2,309
Earnings on Investments	11,291	236	0	869	12,396
Other local revenues	10,009	35,810	0	0	45,819
Intergovernmental - State	6,311,953	748,317	0	798,894	7,859,164
Intergovernmental - indirect federal	0	1,143,368	0	0	1,143,368
<b>TOTAL REVENUES</b>	<b>9,620,593</b>	<b>1,927,731</b>	<b>0</b>	<b>1,108,393</b>	<b>12,656,717</b>
<b>EXPENDITURES:</b>					
Current:					
Instruction	6,291,781	1,739,689	0	0	8,031,470
Support Services:					
Student	296,754	0	0	0	296,754
Instructional Staff	423,127	0	0	0	423,127
District Administration	596,305	0	0	0	596,305
School Administration	631,051	500	0	0	631,551
Business	204,111	0	0	0	204,111
Plant operations and maintenance	956,538	0	0	0	956,538
Student transportation	732,342	114,641	0	0	846,983
Community service activities	0	98,231	0	0	98,231
Facilities acquisition and construction	0	0	12,685	0	12,685
Debt service	0	0	0	2,296,231	2,296,231
<b>TOTAL EXPENDITURES</b>	<b>10,132,009</b>	<b>1,953,061</b>	<b>12,685</b>	<b>2,296,231</b>	<b>14,393,986</b>
Excess (deficit) of revenues over expenditures	(511,416)	(25,330)	(12,685)	(1,187,838)	(1,737,269)
<b>OTHER FINANCING SOURCES (USES):</b>					
Refunding bond proceeds	0	0	0	1,259,850	1,259,850
Operating transfers in	0	25,330	0	462,757	488,087
Operating transfers out	(25,330)	0	0	(462,757)	(488,087)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(25,330)</b>	<b>25,330</b>	<b>0</b>	<b>1,259,850</b>	<b>1,259,850</b>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(536,746)	0	(12,685)	72,012	(477,419)
<b>Fund Balance, July 1, 2008</b>	<b>2,433,642</b>	<b>0</b>	<b>349,088</b>	<b>67,078</b>	<b>2,849,808</b>
<b>Fund Balance, June 30, 2009</b>	<b>\$ 1,896,896</b>	<b>\$ 0</b>	<b>\$ 336,403</b>	<b>\$ 139,090</b>	<b>\$ 2,372,389</b>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES**  
 For the Year Ended June 30, 2009

Net change in total fund balances per fund financial statements	\$ (477,419)
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Amounts reported for governmental activities in the statement of activities  
 are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of (\$627,415), loss on disposal of fixed assets of (\$923) exceeded capital outlays of \$323,715	(304,623)
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The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net assets. This is the amount by which repayments of \$1,820,000 exceeds debt proceeds of (\$1,259,850), amortization of bond issue costs of (\$4,820) and amortization of bond discount of (\$10,863)	544,467
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Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the decrease in compensated absences of \$(11,970) and the increase in interest payable of \$17,092	<div style="border-top: 1px solid black; display: inline-block;">(5,122)</div>
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Change in net assets of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ (242,697)</div>
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See independent auditor's report and accompanying notes to financial statements



LIVINGSTON COUNTY SCHOOL DISTRICT  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
June 30, 2009

	Food Service Fund
<b>ASSETS:</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 81,990
Inventory	13,417
Accounts receivable:	
Intergovernmental - indirect federal	41,150
<b>Total current assets</b>	<u>136,557</u>
<b>Noncurrent Assets</b>	
Capital assets	467,109
Less: accumulated depreciation	<u>(328,545)</u>
<b>Total noncurrent assets</b>	<u>138,564</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 275,121</u></u>
<b>LIABILITIES:</b>	
<b>Current Liabilities</b>	
Accounts payable	<u>\$ 3,024</u>
<b>Total current liabilities</b>	<u><u>\$ 3,024</u></u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 138,564
Unrestricted	<u>133,533</u>
<b>Total net assets</b>	<u><u>\$ 272,097</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**

For the Year Ended June 30, 2009

	Food Service Fund
	<hr/>
<b>Operating Revenues:</b>	
Lunchroom sales	\$ 213,451
Other operating revenues	2,745
	<hr/>
<b>Total operating revenues</b>	216,196
	<hr/>
<b>Operating Expenses:</b>	
Salaries and benefits	340,703
Contract services	31,089
Materials and supplies	328,140
Depreciation	17,879
Expendable equipment	2,264
Other operating expenses	1,807
	<hr/>
<b>Total operating expenses</b>	721,882
	<hr/>
Operating income (loss)	(505,686)
	<hr/>
<b>Non-Operating Revenues (Expenses):</b>	
Federal grants	352,358
Donated commodities	32,015
State grants	53,556
Interest income	616
	<hr/>
<b>Total non-operating revenues</b>	438,545
	<hr/>
Change in net assets	(67,141)
	<hr/>
<b>Net Assets, July 1, 2008</b>	339,238
	<hr/>
<b>Net Assets, June 30, 2009</b>	\$ 272,097
	<hr/> <hr/>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2009

	Food Service Fund
<b>Cash Flows from Operating Activities:</b>	
Cash received from:	
Lunchroom sales	\$ 213,451
Other operating revenues	2,745
Cash paid to/for:	
Employees	(340,703)
Contract services	(31,089)
Materials and supplies	(291,156)
Expendable equipment	(2,264)
Other operating expenses	(1,807)
	<u>(450,823)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>(450,823)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Operating grants received	364,764
<b>Net cash provided by (used in)</b>	
<b>non-capital financing activities</b>	<u>364,764</u>
<b>Cash Flows from Investing Activities:</b>	
Interest income received	616
<b>Net cash provided by (used in) investing activities</b>	<u>616</u>
Net increase (decrease) in cash and cash equivalents	(85,443)
<b>Cash and cash equivalents, July 1, 2008</b>	<u>167,433</u>
<b>Cash and cash equivalents, June 30, 2009</b>	<u><u>\$ 81,990</u></u>
Reconciliation of operating income (loss)	
to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (505,686)
Adjustments to reconcile operating income (loss) to	
net cash provided by (used in) operating activities:	
Depreciation	17,879
Commodities used	32,015
Changes in assets and liabilities:	
Inventory	1,977
Accounts payable	2,992
<b>Net cash provided by operating activities</b>	<u><u>\$ (450,823)</u></u>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>	
Food commodities received	\$ 32,015
On-behalf payments for benefits	45,699
<b>Total Non-Cash Investing, Capital, and Financing Activities</b>	<u><u>\$ 77,714</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
June 30, 2009

	Private Purpose Trust Funds	Agency Fund
	<u>                    </u>	<u>                    </u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 142,158	\$ 94,846
Accounts receivable	0	1,496
Due from Board General Fund	<u>0</u>	<u>45</u>
<b>Total Assets</b>	<u><u>\$ 142,158</u></u>	<u><u>\$ 96,387</u></u>
 <b>LIABILITIES:</b>		
Accounts payable	\$ 0	\$ 1,090
Due to student groups	<u>0</u>	<u>95,297</u>
<b>Total Liabilities</b>	<u><u>\$ 0</u></u>	<u><u>\$ 96,387</u></u>
 <b>NET ASSETS HELD IN TRUST</b>	<u><u>\$ 142,158</u></u>	<u><u>\$ 0</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
For the Year Ended June 30, 2009

	Private Purpose Trust Funds
	<u>                    </u>
<b>Additions:</b>	
Interest income	<u>\$ 5,276</u>
<b>Total Additions</b>	<u>5,276</u>
 <b>Deductions:</b>	
Benefits paid	<u>7,097</u>
<b>Total Deductions</b>	<u>7,097</u>
Change in net assets	(1,821)
<b>Net assets, July 1, 2008</b>	<u>143,979</u>
<b>Net assets, June 30, 2009</b>	<u><u>\$ 142,158</u></u>

See independent auditor's report and accompanying notes to financial statements

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
Year ended June 30, 2009

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Livingston County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Livingston County Board of Education ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Livingston County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, and has no influence over the operation of the organizations.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Livingston County School District Finance Corporation – In 1989, the Board of Education resolved to authorize the establishment of the Livingston County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the District's accounting policies are described below.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the District, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2009

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Basis of Presentation - continued

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The fiduciary funds are reported using the economic resources measurement focus.

Agency funds are not involved in the measurement of results of operations; therefore measurement focus is not applicable to them.

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2009

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Fund Accounting

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is always classified as a major fund of the District per GASB 34.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 44. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
  - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
  - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (D) Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund (Enterprise) is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.



**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2009

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Fund Accounting – continued

III. Fiduciary Fund Type (Agency Fund)

Agency funds account for activities held by the District in a purely custodial capacity. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are included in inventory.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2009

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Property Taxes

Property Tax Revenues – Property taxes are levied each October on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. Taxes collected are deposited into the General Fund or the FSPK Fund based on the proper allocation between funds.

The property tax rates assessed for the year ended June 30, 2009, to finance the General Fund and FSPK Fund operations were \$.378 per \$100 valuation for real property, \$.378 per \$100 valuation for business personal property and \$.376 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments and the age and current pay rates of eligible employees.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “current portion of accrued sick leave” in the general fund. The noncurrent portion of the liability is not reported.

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2009

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for revenues and expenses on the same basis as the actual financial statements, which is Generally Accepted Accounting Principles (GAAP).

Once the budget is approved, it can be amended. Significant amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2009

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the food service fund. Inventory consists of purchased food and donated commodities and is expensed when used. The purchased food is stated at cost and donated commodity inventory is stated at estimated value on date of receipt, with both types using the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond the fiscal year end are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. There were no prepaid items at June 30, 2009.

Investments

Investing is performed in accordance with investment policies complying with state statutes. The general fund records investments at cost, which closely approximates market value.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Debt Costs

Debt issuance costs and unamortized discounts are included in the government-wide statements. Both debt issuance costs and discounts are amortized over the lives of the related debt issues using the straight-line method.

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2009

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for fixed assets, SFCC escrow, and SBDM carryover.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

Use of Restricted Sources

When an expense is incurred for which there are both restricted and unrestricted net assets available, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**NOTE B – ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2009

**NOTE C – CASH AND CASH EQUIVALENTS**

At year-end, the carrying amount of the District's total cash and cash equivalents was \$2,256,006. Of the total cash balance, \$1,000,868 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2009 consisted of the following:

	Bank Balance	Book Balance
Regions Bank - interest bearing	\$ 1,682,691	\$ 944,260
Regions Bank - non interest bearing	838,518	810,878
BB & T - non interest bearing	500,406	500,406
US Bank - bond trust account	462	462
	<hr/>	<hr/>
Total	\$ 3,022,077	\$ 2,256,006
	<hr/>	<hr/>
Breakdown per financial statements:		
Governmental funds		\$ 1,937,012
Proprietary funds		81,990
Agency funds		237,004
		<hr/>
Total		\$ 2,256,006
		<hr/>

**NOTE D - CONTINGENCIES**

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

**NOTE E - COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2009

**NOTE F - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for property and general liability coverage, the District participated in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pool operates as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund.

There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**NOTE G - TRANSFER OF FUNDS**

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Matching	General	Special Revenue	Technology Match	\$ 25,330
Operating	Capital Outlay	Debt Service	Debt Service	105,268
Operating	Building	Debt Service	Debt Service	357,489

**NOTE H - DEFICIT OPERATING BALANCES**

One of the high school activity funds ended the year with a deficit balance. The following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

General Fund	\$ 536,746
Construction Fund	12,685
Food Service Fund	67,141
Private Purpose Trust Funds	1,821
Debt Service Funds	3,024

LIVINGSTON COUNTY SCHOOL DISTRICT  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
YEAR ENDED JUNE 30, 2009

**Note I - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

Governmental Activities	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009
Capital Assets:				
Land and land improvements	\$ 910,711	\$ 129,290	\$ 0	\$ 1,040,001
Buildings and improvements	17,821,981	31,138	0	17,853,119
Technology equipment	1,117,580	79,226	144,486	1,052,320
Vehicles	2,152,029	75,712	0	2,227,741
General Equipment	442,006	15,858	0	457,864
Construction	14,876	0	7,509	7,367
Totals at historical cost	<u>22,459,183</u>	<u>331,224</u>	<u>151,995</u>	<u>22,638,412</u>
Less: Accumulated depreciation				
Land improvements	\$ 333,062	\$ 28,055	\$ 0	\$ 361,117
Buildings and improvements	4,345,205	363,910	0	4,709,115
Technology equipment	893,171	93,618	143,563	843,226
Vehicles	1,576,839	115,270	0	1,692,109
General Equipment	246,204	26,562	0	272,766
Total accumulated depreciation	<u>7,394,481</u>	<u>627,415</u>	<u>143,563</u>	<u>7,878,333</u>
Governmental Activities Capital Assets - Net	<u>\$ 15,064,702</u>	<u>\$ (296,191)</u>	<u>\$ 8,432</u>	<u>\$ 14,760,079</u>
<b>Business-Type Activities</b>				
Capital Assets:				
Technology equipment	\$ 10,341	\$ 0	\$ 3,075	7,266
General Equipment	459,843	0	0	459,843
Totals at historical cost	<u>470,184</u>	<u>0</u>	<u>3,075</u>	<u>467,109</u>
Less: Accumulated depreciation				
Technology equipment	10,341	0	3,075	7,266
General Equipment	303,400	17,879	0	321,279
Total accumulated depreciation	<u>313,741</u>	<u>17,879</u>	<u>3,075</u>	<u>328,545</u>
Business-Type Activities Capital Assets - Net	<u>\$ 156,443</u>	<u>\$ (17,879)</u>	<u>\$ 0</u>	<u>\$ 138,564</u>

Depreciation expense was charged to governmental functions as follows:

Instructional	\$ 83,288
Student support services	11,727
Instructional staff support services	2,772
District administration	2,416
School administrative support	11,058
Business support	1,868
Plant operation and maintenance	401,155
Student transportation	112,795
Community services	336
Total depreciation expense	<u>\$ 627,415</u>



**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2009

**NOTE J – BONDED DEBT AND LEASE OBLIGATIONS**

The amount shown in the accompanying government-wide financial statements as bond obligations represent the District's future obligations to make bond payments related to school building revenue bonds issued by the Livingston County School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements.

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
1998	\$ 2,240,000	3.850% - 4.700%
2003	805,000	2.700% - 4.000%
2004	9,090,000	2.000% - 4.800%
2009R	1,300,000	2.000% - 3.000%

The District, through the General Fund, SEEK Capital Outlay Fund and the Facility Support Program Fund is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Livingston County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises should become the property of the District. The District is obligated to maintain property insurance on the school facilities, and the school facilities have been pledged as security to the holders of the bonds.

In 1987 the District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table on the following page sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such the total principal outstanding has been recorded in the financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2009 for debt service (principal and interest) are as follows:

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2009

**NOTE J – BONDED DEBT AND LEASE OBLIGATIONS – CONTINUED**

Year	Livingston County School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2009-2010	\$ 276,191	\$ 184,711	\$ 338,809	\$ 230,929	\$ 1,030,640
2010-2011	283,318	174,359	351,682	218,056	1,027,415
2011-2012	294,861	163,496	365,139	204,599	1,028,095
2012-2013	302,930	154,387	377,070	192,668	1,027,055
2013-2014	319,918	144,394	390,082	179,656	1,034,050
2014-2015	328,185	133,304	296,815	165,446	923,750
2015-2016	335,719	121,520	309,281	152,980	919,500
2016-2017	352,420	108,639	322,580	139,681	923,320
2017-2018	363,226	94,932	336,774	125,488	920,420
2018-2019	378,408	80,750	351,592	110,670	921,420
2019-2020	402,586	65,762	367,414	94,848	930,610
2020-2021	420,685	48,328	384,315	77,947	931,275
2021-2022	438,008	29,937	401,992	60,268	930,205
2022-2023	244,113	10,505	420,887	41,375	716,880
2023-2024	3,911	188	441,089	21,172	466,360
	<u>\$ 4,744,479</u>	<u>\$ 1,515,212</u>	<u>\$ 5,455,521</u>	<u>\$ 2,015,783</u>	<u>\$ 13,730,995</u>

A summary of changes in long-term debt is as follows:

Type	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009
Bonds payable	\$ 10,720,000	\$ 1,300,000	\$ 1,820,000	\$ 10,200,000
Non-current portion of sick leave	139,475	38,233	50,203	127,505
Totals	<u>\$ 10,859,475</u>	<u>\$ 1,338,233</u>	<u>\$ 1,870,203</u>	<u>\$ 10,327,505</u>

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2009

**NOTE K – RETIREMENT PLANS**

Certified employees are covered under the Teachers' Retirement System of Kentucky ("KTRS"), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by Kentucky Department of Education (KDE).

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS website at <http://ktrs.ky.gov>.

*Funding Policy* - Contribution rates are established by KRS. For members who have established an account in the retirement system administered by the Commonwealth prior to July 1, 2008, members are required to contribute 9.855% of their salaries to KTRS. Members hired on or after July 1, 2008 pay an additional 1% of their salary to the medical insurance fund. The Commonwealth of Kentucky is required to contribute 13.105% of salaries. The federal program for any salaries paid by that program pays the matching contributions.

***Medical Insurance Plan***

*Plan description* – In addition of the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide post-retirement healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

*Funding policy* – The post-retirement healthcare provided by KTRS is financed on a pay-as-you-go basis. In order to fund the post-retirement healthcare benefit, one and five tenths percent (1.5%) of the gross annual payroll of all active members is contributed. One-half (1/2) of this amount is derived from member contributions and one-half (1/2) from state appropriation. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, public employers retirement system, defined benefit pension plan. Funding for the Plan is provided through payroll withholdings of 5% and a District contribution of 13.5% of the employee's total compensation subject to contribution. Employees hired on or after September 1, 2008 pay an additional 1% of their salary to the medical insurance fund. CERS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Employee's Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601.

The District's total payroll for the year was \$7,802,102. The payroll for employees covered under KTRS was \$5,933,976 and for CERS was \$1,710,926.

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
Year ended June 30, 2009

**NOTE K – RETIREMENT PLANS – CONTINUED**

The District's contributions to CERS for the year ended June 30, 2009 was \$318,075 which consisted of \$232,038 from the Board and \$86,037 from the employees, equal to the required contributions for the year. The contributions required and paid for CERS for the years ended June 30, 2008 and 2007 were \$308,103 and \$301,745, respectively. The District has no contribution requirement to KTRS; however the District paid \$66,643 regular contributions from federal grant monies to KTRS in matching contributions for federally funded employees, \$1,754 critical shortage contributions, and the state paid KTRS \$712,062 in matching contributions, which is included in these financial statements as "on-behalf" payments in both revenues and expenses.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

**NOTE L – INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at June 30, 2009 consisted of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund:		
Agency Fund	\$ 0	\$ 45
Agency Fund:		
General Fund	45	0

**NOTE M – ON BEHALF PAYMENTS**

The Kentucky Department of Education makes certain payments on behalf of the District, including certain pension plan payments, health and life insurance premium payments and administrative fees. These payments have been recorded on the Statement of Activities by functional expense and as operating grants from the State and totaled \$1,901,109. The revenue and related expense for these on behalf payments are not required to be budgeted.

## **REQUIRED SUPPLEMENTARY INFORMATION**

LIVINGSTON COUNTY SCHOOL DISTRICT  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
For the Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUES:</b>				
From Local Sources:				
Taxes:				
Property	\$ 1,162,536	\$ 1,162,536	\$ 1,534,564	\$ 372,028
Motor Vehicle	170,000	170,000	314,120	144,120
Utilities	275,480	275,480	501,187	225,707
In Lieu of	638,137	638,137	935,160	297,023
Tuition	0	0	2,309	2,309
Earnings on Investments	46,961	46,961	11,291	(35,670)
Other local revenues	17,200	17,200	10,009	(7,191)
Intergovernmental - State	4,578,451	4,578,451	6,311,953	1,733,502
Intergovernmental - indirect federal	12,000	12,000	0	(12,000)
<b>TOTAL REVENUES</b>	<b>6,900,765</b>	<b>6,900,765</b>	<b>9,620,593</b>	<b>2,719,828</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction	4,845,258	4,850,145	6,291,781	(1,441,636)
Support Services:				
Student	256,262	256,262	296,754	(40,492)
Instructional Staff	355,410	355,410	423,127	(67,717)
District Administration	611,759	611,759	596,305	15,454
School Administration	553,224	552,574	631,051	(78,477)
Business	172,634	172,634	204,111	(31,477)
Plant operations and maintenance	872,762	872,762	956,538	(83,776)
Student transportation	921,384	921,384	732,342	189,042
Facilities acquisition and construction	431,365	431,365	0	431,365
Contingency	539,080	539,080	0	539,080
<b>TOTAL EXPENDITURES</b>	<b>9,559,138</b>	<b>9,563,375</b>	<b>10,132,009</b>	<b>(568,634)</b>
Excess (deficit) of revenues over expenditures	<u>(2,658,373)</u>	<u>(2,662,610)</u>	<u>(511,416)</u>	<u>2,151,194</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers out	(15,336)	(15,336)	(25,330)	(9,994)
<b>TOTAL OTHER FINANCING       SOURCES (USES)</b>	<b>(15,336)</b>	<b>(15,336)</b>	<b>(25,330)</b>	<b>(9,994)</b>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(2,673,709)</u>	<u>(2,677,946)</u>	<u>(536,746)</u>	<u>2,141,200</u>
<b>Fund Balance, July 1, 2008</b>	<u>2,673,709</u>	<u>2,673,709</u>	<u>2,433,642</u>	<u>(240,067)</u>
<b>Fund Balance, June 30, 2009</b>	<u>\$ 0</u>	<u>\$ (4,237)</u>	<u>\$ 1,896,896</u>	<u>\$ 1,901,133</u>

See independent auditor's report and accompanying notes to financial statements

NOTE: The on-behalf payments of \$1,855,410 from the state are included in both revenues and expenditures in the actual column;  
however, this amount was not required to be included in the budget.

LIVINGSTON COUNTY SCHOOL DISTRICT  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUND**  
For the Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>REVENUES:</b>				
From Local Sources:				
Earnings on Investments	\$ 1,000	\$ 1,000	\$ 236	(764)
Other local revenues	0	16,340	35,810	19,470
Intergovernmental - State	633,194	793,616	748,317	(45,299)
Intergovernmental - Indirect federal	873,711	1,115,654	1,143,368	27,714
<b>TOTAL REVENUES</b>	<u>1,507,905</u>	<u>1,926,610</u>	<u>1,927,731</u>	<u>1,121</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction	1,324,289	1,737,510	1,739,689	(2,179)
Support Services:				
School admin support	500	500	500	0
Student transportation	105,302	110,786	114,641	(3,855)
Community service activities	93,150	93,150	98,231	(5,081)
<b>TOTAL EXPENDITURES</b>	<u>1,523,241</u>	<u>1,941,946</u>	<u>1,953,061</u>	<u>(11,115)</u>
Excess (deficit) of revenues over expenditures	<u>(15,336)</u>	<u>(15,336)</u>	<u>(25,330)</u>	<u>(9,994)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	15,336	15,336	25,330	9,994
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>15,336</u>	<u>15,336</u>	<u>25,330</u>	<u>9,994</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	0	0	0	0
<b>Fund Balance, July 1, 2008</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balance, June 30, 2009</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See independent auditor's report and accompanying notes to financial statements

## **OTHER SUPPLEMENTARY INFORMATION**



LIVINGSTON COUNTY SCHOOL DISTRICT  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2009

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
ASSETS AND RESOURCES:				
Cash and cash equivalents	\$ 62,681	\$ 75,946	\$ 463	\$ 139,090
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS AND RESOURCES	<u>\$ 62,681</u>	<u>\$ 75,946</u>	<u>\$ 463</u>	<u>\$ 139,090</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
LIABILITIES AND FUND BALANCE:				
LIABILITIES:				
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
EQUITY AND FUND BALANCES:				
Reserved for:				
SFCC escrow	62,681	75,946	0	138,627
Unreserved:				
Undesignated, reported in:				
Debt service funds	0	0	463	463
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL FUND BALANCES	<u>62,681</u>	<u>75,946</u>	<u>463</u>	<u>139,090</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 62,681</u>	<u>\$ 75,946</u>	<u>\$ 463</u>	<u>\$ 139,090</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2009

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 308,630	\$ 0	\$ 0	\$ 308,630
Earnings on Investments	7	0	862	869
Intergovernmental - State	111,350	117,806	569,738	798,894
TOTAL REVENUES	<u>419,987</u>	<u>117,806</u>	<u>570,600</u>	<u>1,108,393</u>
EXPENDITURES:				
Debt service	<u>0</u>	<u>0</u>	<u>2,296,231</u>	<u>2,296,231</u>
TOTAL EXPENDITURES	<u>0</u>	<u>0</u>	<u>2,296,231</u>	<u>2,296,231</u>
Excess (deficit) of revenues over expenditures	<u>419,987</u>	<u>117,806</u>	<u>(1,725,631)</u>	<u>(1,187,838)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	0	0	462,757	462,757
Refunding bond proceeds	0	0	1,259,850	1,259,850
Operating transfers out	<u>(357,489)</u>	<u>(105,268)</u>	<u>0</u>	<u>(462,757)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(357,489)</u>	<u>(105,268)</u>	<u>1,722,607</u>	<u>1,259,850</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	62,498	12,538	(3,024)	72,012
Fund Balance, July 1, 2008	<u>183</u>	<u>63,408</u>	<u>3,487</u>	<u>67,078</u>
Fund Balance, June 30, 2009	<u>\$ 62,681</u>	<u>\$ 75,946</u>	<u>\$ 463</u>	<u>\$ 139,090</u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**  
**DEBT SERVICE FUNDS**  
For the Year Ended June 30, 2009

	1997 BONDS FUND	1998 BONDS FUND	2003 BONDS FUND	2004 BONDS FUND	2009R BONDS FUND	Totals Debt service Fund
REVENUES:						
From local sources:						
Earnings on investments	\$ 0	\$ 0	\$ 0	\$ 28	\$ 834	\$ 862
Intergovernmental - State	0	101,055	0	462,262	6,421	569,738
<b>TOTAL REVENUES</b>	<b>0</b>	<b>101,055</b>	<b>0</b>	<b>462,290</b>	<b>7,255</b>	<b>570,600</b>
EXPENDITURES:						
Debt Service:						
Principal	0	1,395,000	10,000	400,000	15,000	1,820,000
Interest	0	77,230	30,370	351,460	7,993	467,053
Other debt service	3,053	6,125	0	0	0	9,178
<b>TOTAL EXPENDITURES</b>	<b>3,053</b>	<b>1,478,355</b>	<b>40,370</b>	<b>751,460</b>	<b>22,993</b>	<b>2,296,231</b>
Excess (deficit) of revenues over expenditures	(3,053)	(1,377,300)	(40,370)	(289,170)	(15,738)	(1,725,631)
OTHER FINANCING SOURCES (USES):						
Operating transfers in	0	118,783	40,370	289,198	14,406	462,757
Refunding bond proceeds	0	1,258,517	0	0	1,333	1,259,850
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>1,377,300</b>	<b>40,370</b>	<b>289,198</b>	<b>15,739</b>	<b>1,722,607</b>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(3,053)	0	0	28	1	(3,024)
Fund balance July 1, 2008	3,053	0	0	434	0	3,487
Fund balance June 30, 2009	\$ 0	\$ 0	\$ 0	\$ 462	\$ 1	\$ 463

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT  
**COMBINING BALANCE SHEET--ALL ACTIVITY FUNDS**  
June 30, 2009

	North Livingston Elementary	South Livingston Elementary	Livingston County Middle School	Livingston County High School	Totals (Memorandum Only)
ASSETS:					
Cash and cash equivalents	\$ 9,300	\$ 21,679	\$ 23,910	\$ 39,957	\$ 94,846
Accounts Receivable	45	89	0	1,362	1,496
Due from Board	0	45	0	0	45
	<u>0</u>	<u>45</u>	<u>0</u>	<u>0</u>	<u>45</u>
TOTAL ASSETS	<u>\$ 9,345</u>	<u>\$ 21,813</u>	<u>\$ 23,910</u>	<u>\$ 41,319</u>	<u>\$ 96,387</u>
LIABILITIES:					
Accounts Payable	\$ 568	\$ 28	\$ 78	\$ 416	\$ 1,090
Due to Student Groups	8,777	21,785	23,832	40,903	95,297
TOTAL LIABILITIES	<u>\$ 9,345</u>	<u>\$ 21,813</u>	<u>\$ 23,910</u>	<u>\$ 41,319</u>	<u>\$ 96,387</u>
NET ASSETS HELD IN TRUST	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See independent auditor's report and accompanying notes to financial statements

**LIVINGSTON COUNTY SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN DUE TO STUDENT GROUPS  
ALL ACTIVITY FUNDS**

For the Year Ended June 30, 2009

	North Livingston Elementary	South Livingston Elementary	Livingston County Middle School	Livingston County High School	Totals (Memorandum only)
REVENUES:					
From local sources:					
Earnings on Investments	\$ 32	\$ 95	\$ 98	\$ 258	\$ 483
Student activities	16,757	51,370	54,564	202,247	324,938
Total Revenues	16,789	51,465	54,662	202,505	325,421
EXPENDITURES					
Student Activities	15,722	51,035	49,855	213,251	329,863
Total expenditures	15,722	51,035	49,855	213,251	329,863
Excess (deficit) of revenues over expenditures	1,067	430	4,807	(10,746)	(4,442)
Due to student groups, July 1, 2008	7,710	21,355	19,025	51,649	99,739
Due to student groups, June 30, 2009	<u>\$ 8,777</u>	<u>\$ 21,785</u>	<u>\$ 23,832</u>	<u>\$ 40,903</u>	<u>\$ 95,297</u>

See independent auditor's report and accompanying notes to financial statements

## LIVINGSTON COUNTY HIGH SCHOOL - ALL FUNDS COMBINED

**STATEMENT OF RECEIPTS, DISBURSEMENTS & DUE TO**

For the Year Ended June 30, 2009

	<b>Cash Balance</b>	<b>Receipts</b>		<b>Disbursements</b>	
	<b>July 1, 2008</b>	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>	<b>Budget</b>
General Fund	\$ 8,716.37	\$ 15,957.91	\$ 42,174.91	\$ 19,884.96	\$ 40,570.05
Student Emergency	71.90	0.00	0.00	0.00	80.03
District Volleyball	0.00	1,300.47	0.00	1,300.47	0.00
Friends of Rachel	0.00	68.00	0.00	0.00	0.00
Textbook	1,675.00	18,169.69	26,255.00	18,254.46	40,237.35
Student Incentives	0.00	4,500.00	0.00	4,142.00	0.00
Staff Account	679.80	1,939.52	2,345.62	1,873.98	2,391.87
Art Club	961.98	185.00	237.00	278.83	384.26
Beta Club	1,346.54	621.00	715.41	655.11	1,148.73
FBLA	600.08	4,169.60	9,507.87	4,751.53	9,496.41
FCA	393.27	114.00	410.00	0.00	574.99
FCCLA	104.93	100.00	161.00	132.00	161.00
FFA	2,800.47	17,266.00	28,566.51	19,792.10	30,584.05
Science Club	175.80	3,656.88	1,045.05	2,115.41	1,030.31
TLC	0.00	210.00	0.00	0.00	0.00
Spirit Club	320.24	1,375.00	1,210.00	1,291.19	981.76
Student Council	1,991.43	1,307.00	1,927.90	1,231.25	1,599.42
Skills USA	528.39	250.00	680.00	424.49	784.36
Spanish Club	488.27	254.30	488.32	169.08	488.00
Agriculture	58.76	1,193.19	200.00	1,103.17	394.83
Choir & Music	0.85	4,020.65	0.00	4,021.50	0.00
Drama	0.00	81.00	0.00	0.00	0.00
Diesel Mechanics	175.29	467.26	912.00	304.64	1,051.79
Family & Consumer Science	281.67	80.00	0.00	0.00	0.00
Signs	997.33	921.97	326.30	1,243.76	0.00
Math	2,527.85	197.00	2,210.00	457.81	1,523.82
Technology Education	501.09	1,602.00	1,350.00	1,341.80	1,054.23
NSSP	143.73	0.00	90.00	77.38	0.00
Welding	2,096.39	513.00	1,728.30	841.64	870.55
Athletics	20,064.19	50,713.50	70,462.77	66,245.68	64,771.04
Golf	0.00	2,563.50	0.00	1,365.96	0.00
Cheerleaders	1,318.14	18,057.13	13,163.64	17,198.66	14,698.79
Class of 08	0.00	0.00	15,371.43	0.00	13,102.22
Yearbook	1,204.60	34,577.40	31,768.00	34,194.41	34,805.37
Concessions	0.00	8,456.63	20,975.38	5,008.02	20,975.38
Scholarship Account	100.00	0.00	0.00	0.00	0.00
Class of 2009	4,430.91	4,915.09	0.00	7,374.29	0.00
Class of 2010	0.00	8,415.50	0.00	5,941.46	0.00
Subtotal	54,755.27	208,219.19	274,282.41	223,017.04	283,760.61
Less: Interfund Transfers	0.00	4,598.34	15,246.34	4,598.34	15,246.34
Total	\$ 54,755.27	\$ 203,620.85	\$ 259,036.07	\$ 218,418.70	\$ 268,514.27

	<b>Cash Balance June 30, 2009</b>	<b>Accounts Receivable</b>	<b>Accounts Payable</b>	<b>Due to June 30, 2009</b>
General Fund	\$ 4,789.32	\$ 0.00	\$ 0.00	\$ 4,789.32
Student Emergency	71.90	0.00	0.00	71.90
Class A Basketball	0.00	0.00	0.00	0.00
Friends of Rachel	68.00	0.00	0.00	68.00
Textbook	1,590.23	0.00	0.00	1,590.23
Student Incentives	358.00	0.00	0.00	358.00
Staff Account	745.34	75.09	203.66	616.77
Art Club	868.15	0.00	0.00	868.15
Beta Club	1,312.43	0.00	0.00	1,312.43
FBLA	18.15	0.00	0.00	18.15
FCA	507.27	0.00	0.00	507.27
FCCLA	72.93	0.00	0.00	72.93
FFA	274.37	1,176.00	0.00	1,450.37
Science Club	1,717.27	0.00	0.00	1,717.27
TLC	210.00	0.00	0.00	210.00
Spirit Club	404.05	0.00	0.00	404.05
Student Council	2,067.18	0.00	0.00	2,067.18
Skills USA	353.90	0.00	0.00	353.90
Spanish Club	573.49	0.00	0.00	573.49
Agriculture	148.78	0.00	0.00	148.78
Choir & Music	0.00	0.00	0.00	0.00
Drama	81.00	0.00	0.00	81.00
Diesel Mechanics	337.91	0.00	0.00	337.91
Family & Consumer Science	361.67	0.00	0.00	361.67
Sew Personal	675.54	0.00	0.00	675.54
Math	2,267.04	0.00	0.00	2,267.04
Technology Education	761.29	0.00	0.00	761.29
NSSP	66.35	0.00	0.00	66.35
Welding	1,767.75	0.00	0.00	1,767.75
Athletics	4,532.01	110.48	211.98	4,430.51
Class A Baseball	1,197.54	0.00	0.00	1,197.54
Cheerleaders	2,176.61	0.00	0.00	2,176.61
Class of 08	0.00	0.00	0.00	0.00
Yearbook	1,587.59	0.00	0.00	1,587.59
Concessions	3,448.61	0.00	0.00	3,448.61
Scholarship Account	100.00	0.00	0.00	100.00
Class of 2009	1,971.71	0.00	0.00	1,971.71
Class of 2010	2,474.04	0.00	0.00	2,474.04
Subtotal	39,957.42	1,361.57	415.64	40,903.35
Less:Interfund Transfers	0.00	0.00	0.00	0.00
Total	<u>\$ 39,957.42</u>	<u>\$ 1,361.57</u>	<u>\$ 415.64</u>	<u>\$ 40,903.35</u>

LIVINGSTON COUNTY SCHOOL DISTRICT  
**COMBINING BALANCE SHEET-ALL PRIVATE PURPOSE TRUST FUNDS**  
June 30, 2009

	Dallas & Emma Maxfield	Mamie T. Ferguson	William F. Miller	Ashley Boone	George & Opal Pullen	Robert & Margaret Shelby	Lillian Boswell	Max Hansen	Ledbetter SBDM	Totals (Memorandum Only)
ASSETS:										
Cash and cash equivalents	\$ 61,739	\$ 67	\$ 1,485	\$ 1,410	\$ 16,919	\$ 53,972	\$ 5,337	\$ (800)	\$ 2,029	\$ 142,158
<b>TOTAL ASSETS</b>	<u><u>\$ 61,739</u></u>	<u><u>\$ 67</u></u>	<u><u>\$ 1,485</u></u>	<u><u>\$ 1,410</u></u>	<u><u>\$ 16,919</u></u>	<u><u>\$ 53,972</u></u>	<u><u>\$ 5,337</u></u>	<u><u>\$ (800)</u></u>	<u><u>\$ 2,029</u></u>	<u><u>\$ 142,158</u></u>
<b>NET ASSETS HELD IN TRUST</b>	<u><u>\$ 61,739</u></u>	<u><u>\$ 67</u></u>	<u><u>\$ 1,485</u></u>	<u><u>\$ 1,410</u></u>	<u><u>\$ 16,919</u></u>	<u><u>\$ 53,972</u></u>	<u><u>\$ 5,337</u></u>	<u><u>\$ (800)</u></u>	<u><u>\$ 2,029</u></u>	<u><u>\$ 142,158</u></u>

See independent auditor's report and accompanying notes to financial statements



LIVINGSTON COUNTY SCHOOL DISTRICT  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS HELD IN TRUST**  
**ALL PRIVATE PURPOSE TRUST FUNDS**  
For the Year Ended June 30, 2009

	Dallas & Emma Maxfield	Mamie T. Ferguson	William F. Miller	Ashley Boone	George & Opal Pullen	Robert & Margaret Shelby	Lillian Boswell	Max Hansen	Ledbetter SBDM	Totals (Memorandum Only)
REVENUES:										
From local sources:										
Earnings on Investments	\$ 2,375	\$ 0	\$ 0	\$ 0	\$ 655	\$ 2,072	\$ 117	\$ 0	\$ 57	\$ 5,276
Total Revenues	2,375	0	0	0	655	2,072	117	0	57	5,276
EXPENDITURES										
Scholarships paid	1,000	300	250	500	250	2,500	300	1,000	997	7,097
Total expenditures	1,000	300	250	500	250	2,500	300	1,000	997	7,097
Excess (deficit) of revenues over expenditures	1,375	(300)	(250)	(500)	405	(428)	(183)	(1,000)	(940)	(1,821)
Net Assets Held in Trust at July 1, 2008	60,364	367	1,735	1,910	16,514	54,400	5,520	200	2,969	143,979
Net Assets Held in Trust at June 30, 2009	<u>\$ 61,739</u>	<u>\$ 67</u>	<u>\$ 1,485</u>	<u>\$ 1,410</u>	<u>\$ 16,919</u>	<u>\$ 53,972</u>	<u>\$ 5,337</u>	<u>\$ (800)</u>	<u>\$ 2,029</u>	<u>\$ 142,158</u>

See independent auditor's report and accompanying notes to financial statements

## **REPORTS REQUIRED BY THE SINGLE AUDIT ACT**

LIVINGSTON COUNTY SCHOOL DISTRICT  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Federal Expenditures
<b><u>U.S. Department of Education:</u></b>			
Passed Through State Dept. of Education:			
Special Education Grants to States	84.027	3810002-07 & 3810002-08	\$ 254,443
Special Education Preschool Grants	84.173	3800002-07 & 3800002-08	18,565
			<hr/>
<b>Total Special Education Cluster</b>			273,008
Passed Through State Dept. of Education:			
Title I Grants to Local Educational Agencies	84.010	3100002-07 & 3100002-08	312,839
Safe and Drug-Free Schools and Communities State Grants	84.186	3410002-07 & 3410002-08	3,727
Improving Teacher Quality State Grants	84.367	3230002-07 & 3230002-08	87,446
Education Technology State Grants	84.318	3210002-08	3,116
Special Education - State Personnel Development	84.323	3366U	(4,197)
Vocational Education Basic Grants to States	84.048	4620832-07 & 08, 4620910-08	16,065
Reading First State Grants	84.357	3150002-06, 07 & 08	153,055
Twenty-First Century Community Learning Centers	84.287	3400002-07 & 08	135,704
Grants for State Assessments & Related Activities	84.369	3900001-07	552
Passed through West Kentucky Educational Cooperative:			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	03459, 0598, 0599, 0654, 0659	40,278
Passed through Ky. Office of Vocational Rehabilitation:			
Rehabilitation Services	84.128	3789	3,077
Passed through Paducah Board of Education:			
English Language Acquisition Grants	84.365A	3459	2,568
Passed through State Workforce Cabinet:			
Tech-Prep Education	84.243	3638 & 3639	9,381
			<hr/>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>1,036,619</b>
<b><u>U.S. Department of Labor:</u></b>			
Passed through West Ky Workforce Investment Board:			
WIA Youth Activities	17.259	5888A	40,000
			<hr/>
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>			<b>40,000</b>
<b><u>U.S. Department of Justice:</u></b>			
Passed through State Dept. of Education:			
Title V Delinquency Prevention	16.548A	5078T & 5079T	62,031
			<hr/>
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			<b>62,031</b>
<b><u>Corporation for National and Community Service:</u></b>			
Passed through State Dept. of Education:			
Learn and Serve America School and Community Based Programs	94.004	1000002-08	4,870
			<hr/>
<b>TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			<b>4,870</b>
<b><u>U.S. Department of Agriculture:</u></b>			
Passed through State Dept. of Education:			
National School Lunch Program	10.555	7750002-08 & 09	245,823
School Breakfast Program	10.553	7760005-08 & 09	106,535
			<hr/>
<b>Total Child Nutrition Cluster</b>			352,358
Passed through Kentucky Dept. of Agriculture:			
Food Donation (Note B)	10.550	070-0100	32,015
			<hr/>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>384,373</b>
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>\$ 1,527,893</b>
			<hr/> <hr/>

See accompanying notes to schedule  
of expenditures of federal awards

## **LIVINGSTON COUNTY SCHOOL DISTRICT**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the year ended June 30, 2009

#### **NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Livingston County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

#### **NOTE B – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. Per USDA instructions, commodities expended are recorded at an amount equal to commodities received and the inventory at June 30, 2009 is combined with purchased food inventory.

#### **NOTE C – RECONCILIATION OF SCHEDULE TO FINANCIAL STATEMENTS**

The following is a reconciliation of the total in the schedule of expenditures of federal awards to the total federal revenue included in the statement of revenues, expenditures and changes in fund balances – governmental funds on page 12 of the audit report and in the statement of revenues, expenses, and changes in net assets – proprietary funds on page 15 of the audit report:

Total intergovernmental – indirect federal from page 12	\$ 1,143,368
Total federal grants from page 15	352,358
Donated commodities from page 15	32,015
Plus: Amount of federal funds coded as a negative expenditure	<u>152</u>
Total on page 45	<u><u>\$ 1,527,893</u></u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for School District Audits  
and Members of the Board of Education  
Livingston County School District  
Smithland, Kentucky

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Livingston County School District as of and for the year ended June 30, 2009, which collectively comprise the Livingston County School District's basic financial statements and have issued my report thereon dated November 10, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirements*, *Appendix II of the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract – Electronic Submission*.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Livingston County School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Livingston County School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Livingston County School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Livingston County School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Livingston County School District's financial statements that is more than inconsequential will not be prevented or detected by the Livingston County School District's internal control. I consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 09-01, 09-02, 09-03 and 09-04 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Livingston County School District's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider items 08-01, 08-02, and 08-03 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Livingston County School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards or state audit requirements and which is described in the accompanying Schedule of Findings and Questioned Costs as item 09-03.

I noted certain additional matters that I reported to management of the Livingston County School District in a separate letter dated November 10, 2009.

Livingston County School District's response to the findings identified in my audit is described in the accompanying Schedule of Findings and Questioned Costs. I did not audit Livingston County School District's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Livingston County School District, the Kentucky Department of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Benton, Kentucky  
November 10, 2009

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Kentucky State Committee for School District Audits  
and Members of the Board of Education  
Livingston County School District  
Smithland, Kentucky

**Compliance**

I have audited the compliance of Livingston County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Livingston County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Livingston County School District's management. My responsibility is to express an opinion on Livingston County School District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract – General Audit Requirements*, *Appendix II of the Independent Auditor's Contract – State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract – Electronic Submission*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Livingston County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Livingston County School District's compliance with those requirements.

In my opinion, Livingston County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

## Internal Control Over Compliance

The management of Livingston County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Livingston County School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Marshall County School District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above; however, the results of my tests disclosed one instance of noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract - State Audit Requirements which is described in the accompanying Schedule of Findings and Questioned Costs as item 09-03.

Livingston County School District's response to the findings identified in my audit is described in the accompanying Schedule of Findings and Questioned Costs. I did not audit Livingston County School District's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Livingston County School District, the Kentucky Department of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Benton, Kentucky  
November 10, 2009



**LIVINGSTON COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2009**

**I. SUMMARY OF AUDITOR'S RESULTS:**

1. The auditor's report expresses an unqualified opinion on the financial statements of the Livingston County School District.
2. Four significant deficiencies disclosed during the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Three of the conditions are reported as material weaknesses.
3. One instance of noncompliance material to the financial statements of Livingston County School District disclosed during the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
4. No significant deficiencies were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Livingston County School District expresses an unqualified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 relative to the major federal award programs for Livingston County School District.
7. The programs tested as major programs included:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Special Education Cluster:	
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173
Title I Grants to Local Educational Agencies	84.010
Improving Teacher Quality State Grants	84.367
Reading First State Grants	84.357

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Livingston County School District was determined to be a high-risk auditee.

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**For the Year Ended June 30, 2009**

**II. FINDINGS – FINANCIAL STATEMENT AUDIT**

Significant Deficiencies

09-01. Audit Adjustments

*Condition:* Audit adjustments which were material in both amount and number were required to adjust or balance various accounts at year-end.

*Criteria:* District personnel should make adjustments to the accounting records prior to the audit as the District is responsible for the financial statement amounts.

*Cause and Effect:* When the new Board treasurer was hired, she was not properly trained in all aspects of her position. The effect of not balancing the various accounts throughout the year is that board members do not receive accurate information on which to base decisions.

*Recommendation:* We have recommended that the District contact other Districts who have experienced treasurers in an effort to contract with someone who is knowledgeable enough to properly train an employee to reconcile accounting output with supporting detail.

*Management's Response:* We thought all adjustments had been made correctly and were unaware there was a problem. We had a Kentucky Department of Education representative review the year before closing and he did not point anything out to adjust. We are currently in the process of working with someone from a neighboring district to help with this training and we should be on schedule to correct this by July 25, 2010, as we will have better assistance in closing the year.

09-02. Cash

*Condition:* Bank reconcilements were not completed during the year.

*Criteria:* Bank reconcilements should be prepared by someone who is independent of all other cash functions and should be balanced to the cash accounts on the books of record.

*Cause and Effect:* The District contracted with an outside consultant to train an employee in the mechanics of the bank reconciliation. The consultant was ill for a large portion of the year and no one else was contacted to train the employee. Because the bank reconcilements were not balanced on a monthly basis, cash balances on the books were incorrect due to errors in posting, items not posted, and items posted twice. These errors caused the cash to be overstated on the books by approximately \$206,000 at year-end.

*Recommendation:* We have recommended that the District contact other Districts who have experienced treasurers in an effort to contract with someone who is knowledgeable enough to properly train an employee to reconcile the bank account.

*Management's Response:* The outside consultant we hired for this became ill, so we are working with a neighboring district to train us in this area. We will make a concerted effort to make sure this is done prior to May 31, 2010.

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**For the Year Ended June 30, 2009**

09-03. Restricted Funds

*Condition:* The new treasurer was not aware of the requirement to transfer certain state and local funds to the Capital Outlay and FSPK funds.

*Criteria:* The state has requirements for the proper allocation of tax receipts between the general fund and the FSPK fund. There are also requirements that funds received from the state that are designated as capital outlay or FSPK funds be deposited to those funds.

*Cause and Effect:* This was the first full year for the new treasurer. She was not adequately trained in all aspects of her position. The effect of this is that the reports generated for the Board were not accurate. After making the proper transfers, amounts remain in these funds that will need to be escrowed.

*Recommendation:* As noted previously, we have recommended that the Board employees be trained in every aspect of their positions.

*Management's Response:* As stated previously, we are working with a neighboring district to receive this training to make sure amounts are allocated to proper funds by June 30, 2010.

09-04. Food Service Reimbursement Requests

*Condition:* The requests for food service reimbursement based on participation are not being verified for accuracy by anyone independent of report preparation.

*Criteria:* An employee independent of the preparation of the reports should be reviewing them prior to submission to the state.

*Cause and Effect:* There is one lunchroom that serves North Elementary and Livingston Middle Schools. Separate computer reports are printed to detail participation by school; however, a combined report is used to accumulate participation totals by District to submit to the state for reimbursement. For the month of February, the report that contained only totals for the elementary school was used to obtain District-wide totals, instead of the combined report. This caused the District to lose \$4,655 in federal funds.

*Recommendation:* The food service bookkeeper should prepare the reimbursement request. The food service director should verify amounts used from the detail printouts prior to submission of the reimbursement request to the state.

*Management's Response:* We have hired a new full-time Food Service Director, whose only duty will be to oversee food services. We will begin implementing the review of reimbursement requests immediately.

**III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

There were no findings in the current year required to be reported in this section.

**LIVINGSTON COUNTY SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
June 30, 2009**

**I. FINDINGS – FINANCIAL STATEMENT AUDIT**

08-01. Cash

In the previous four years, it has been noted in the findings that the bank reconciliations were not completed; therefore cash on the financial statements in the prior year was out of balance by approximately \$78,000. The recommendation that someone independent of other cash functions should reconcile the bank account to the books was not followed. This is noted as finding 09-02 in the current year schedule of findings and questioned costs. An outside consultant who was going to train an employee of the board to perform the reconciliation became ill and was not able to spend as much time in the District as necessary to train a person for this function. We have recommended asking employees of other districts if someone would be available to train a District employee.

08-02. Fixed Assets

In the prior year, depreciation on fixed assets had not been run prior to submitting the initial annual financial report to the Kentucky Department of Education. While the depreciation for the current year was not run prior to the initial submission, it was run after the verification of asset additions by the auditors was completed in order to avoid problems with additional assets being recorded and having to reverse the initial depreciation amounts. We feel this is adequate for the future.

08-03. Accounts Receivable, Prepaid Expenses, Accounts Payable

In the prior year, significant audit adjusting entries were required in order to add accounts receivable, prepaid expenses, and accounts payable to the accounting records. In the current year, no accounts receivable had been recorded in any fund other than the special revenue fund. Accounts payable were recorded. No prepaid expense adjustments were needed. We have noted as current year finding 09-01 the large amount of audit adjustments needed in order to prepare materially correct financial statements.

**II. FINDINGS – MAJOR FEDERAL AWARDS PROGRAM AUDIT**

There were no findings in the prior year required to be reported in this section.

## **MANAGEMENT LETTER POINTS**

Members of the Board of Education of  
Livingston County School District  
Smithland, Kentucky

In planning and performing my audit of the financial statements of Livingston County School District for the year ended June 30, 2009, I considered the District's internal control structure to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during my audit I became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. A separate report dated November 10, 2009 contains my report on the District's internal control structure. This letter does not affect my report dated November 10, 2009 on the financial statements of the Livingston County School District.

I will review the status of these comments during my next audit engagement. I have already discussed many of these comments and suggestions with various District personnel, and their implementation is currently being reviewed. I will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

Benton, Kentucky  
November 10, 2009

## **LIVINGSTON COUNTY SCHOOL DISTRICT**

### **MANAGEMENT LETTER COMMENTS**

June 30, 2009

#### **CORRECTED PRIOR YEAR COMMENTS**

##### **North Livingston Elementary**

In the prior year, no FSA-10 forms had been completed. Although they were prepared in the current year, they were not signed by the principal. In the prior year, there was one deposit not made on a timely basis and three disbursements without proper supporting documentation. No exceptions were noted in these two areas in the current year.

##### **South Livingston Elementary**

In the prior year, we noted cash receipt tickets dated after the date of the deposit. We noted this again in the current year, but it was only during the early part of the fiscal year before the prior year audit report was received. Also in the prior year, we noted late fees and sales tax paid as well as disbursements without sufficient documentation. No exceptions were noted in disbursements in the current year.

##### **Livingston County Middle School**

In the prior year, FSA-10 forms were signed by the principal only. Proper signatures were obtained in the current year. Also in the prior year, standard invoices contained copies of signatures of the vendor prior to completion of the form. No exceptions were noted in this area in the current year.

##### **Livingston County High School**

In the prior year, we noted one deposit was not made on a timely basis. In the current year, we noted two deposits were not made on a timely basis. Also in the prior year, we noted six disbursements without proper supporting documentation. In the current year, we noted five disbursements without proper supporting documentation.

**LIVINGSTON COUNTY SCHOOL DISTRICT**  
**MANAGEMENT LETTER COMMENTS - CONTINUED**  
June 30, 2009

**School Activity Funds**

Exceptions to recommended procedures were noted at each school as listed below. Most of the schools had only minor exceptions, and these are listed only as tools to assist the school in improving procedures and for administration to be aware of any areas which they may wish to address when conducting meetings with school personnel.

- 1) North Livingston Elementary School: Although FSA-10 forms were prepared in the current year, they were not signed by the principal. Transfers policy procedure #1 states that "Amounts may be transferred between activity funds only by proper completion of a transfer form (Form FSA-10)." Proper completion includes the date of the transaction, the amount being transferred and approval signatures of the sponsor of the remitting, if applicable, the school treasurer and the principal.

*Management's Response:* The North Livingston Financial Officer has noted the exception to the recommended procedures as listed in the audit. She will make sure that the activity transfer form is signed by the appropriate personnel.

- 2) South Livingston Elementary School: In our test of cash receipts, we noted two cash receipt ticket numbers dated in the ledger several days after the deposit; however both of these occurred during the early part of the fiscal year, which was before the previous audit comments were received and noted. One cash receipt was not deposited in a timely manner. When receipts are greater than \$100, a deposit should be made by the next business day.

*Management's Response:* The South Livingston finance officer has noted the exceptions to the recommended procedures as listed in the audit. She will make sure that tickets are completed at the time funds are received and prior to deposit and that deposits are made on a timely basis.

- 3) Livingston County Middle School: One disbursement included a finance charge of \$104.43. All employees/activity sponsors should be reminded that if they receive an invoice in order to compare to the items received, the invoice should be submitted to the office early enough so that the treasurer may pay the bill in a timely manner.

*Management's Response:* The Livingston County Middle School finance officer will make all employees aware of the need to submit invoices to the office soon enough to pay on a timely basis in order to avoid finance charges.

- 4) Livingston County High School: In our test of receipts, we noted four receipts that were not deposited on a timely basis. The "Red Book" states that when receipts exceed \$100, a deposit should be made by the next business day. In our test of disbursements, we noted four were not supported by a sufficient documentation and one standard invoice was not signed by the vendor. One check was signed by the principal only.

*Management's Response:* The finance officer will meet with all concerned persons and will talk with appropriate personnel at the school to make sure that these items are corrected before next year.